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Report Highlights: The MY 2002/03 Brazilian coffee production is estimated at 51.6 million 60 kg-bags, 10 percent higher than previously estimated, due to higher than expected agricultural and dehusking yields and an upward revision in the coffee tree inventory. In August 2002, the GOB created the Coffee Option Contract Program for coffee, in order to regulate the domestic coffee supply. As reported by DECAF, approximately 23,200 contracts were negotiated in August and September. The dry and hot weather in Brazilian arabica producing regions and speculation about the next crop resulted in the sharp increase in coffee domestic prices. ATO/Sao Paulo estimates MY 2002/03 coffee exports at 28.58 million bags. The high availability of the product and the steady devaluation of the local currency, the Real, should contribute to the increased competitiveness of Brazilian coffee in the international market.

Includes PSD changes: Yes
Includes Trade Matrix: No
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PS&D Table

Country	Brazil					
Commodity	Coffee, Green (1000 HA)(MILLION TREES)(1000 60 KG BAGS)					
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Planted	0	2488	0	2615	0	2675
Area Harvested	0	2055	0	2120	0	2360
Bearing Trees	0	4015	0	4465	0	5265
Non-Bearing Trees	0	1385	0	1500	0	1125
TOTAL Tree Population	0	5400	0	5965	0	6390
Beginning Stocks	9306	9306	10630	10630	6150	7335
Arabica Production	26600	26600	23000	24400	35450	39600
Robusta Production	7500	7500	10700	10700	11400	12000
Other Production	0	0	0	0	0	0
TOTAL Production	34100	34100	33700	35100	46850	51600
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	43406	43406	44330	45730	53000	58935
Bean Exports	17290	17290	22300	22245	26000	26000
Roast & Ground Exports	21	21	80	75	100	80
Soluble Exports	2365	2365	2500	2475	2500	2500
TOTAL Exports	19676	19676	24880	24795	28600	28580
Rst,Ground Dom. Consum	12600	12600	12800	13000	12900	13600
Soluble Dom. Consum.	500	500	500	600	600	600
TOTAL Dom. Consumption	13100	13100	13300	13600	13500	14200
Ending Stocks	10630	10630	6150	7335	10900	16155
TOTAL DISTRIBUTION	43406	43406	44330	45730	53000	58935

Production

The Agricultural Trade Office (ATO)/Sao Paulo Brazilian coffee production estimate for marketing year (MY) 2002/03 (July-June) has been revised upward to 51.6 million 60 kg-bags, green equivalent, 10 percent higher than previously estimated, due to higher than expected agricultural and dehusking yields and an upward revision in the coffee tree inventory. The production breakdown follows: arabica production should contribute 39.6 million bags of coffee, while robusta production should remain unchanged at 12 million bags. The harvest season is over and the quality of the beans is reported to be uniform and good to better than good, according to traders. The table below shows coffee production from MY 1997/98 to 2002/03 by state and variety. Note that the MY 2001/02 coffee production was adjusted to 35.1 million bags, up 4 percent from post previous estimate. The dynamics of the Brazilian domestic coffee market with steady and depressed coffee prices in the spot market and the high export figures indicate a higher Brazilian coffee production estimate than earlier projected.

Brazilian Coffee Production (Million 60-kg bags)					
State/Variety	MY 1998/99	MY 1999/00	MY 2000/01	MY 2001/02	MY 2002/03
Minas Gerais	18.95	15.40	16.00	16.20	25.35
Southwest	10.75	8.40	9.00	8.50	14.20
Ct-western	4.10	3.50	3.00	3.20	4.65
Southeast	4.10	3.50	4.00	4.50	6.50
Esp. Santo	5.35	4.70	7.40	9.70	11.35
Arabica	2.15	2.00	2.60	2.20	2.85
Robusta	3.20	2.70	4.80	7.50	8.50
Sao Paulo	4.20	3.70	3.60	3.20	5.75
Parana	3.20	2.80	2.20	0.50	2.50
Others	3.90	4.20	4.90	5.50	6.65
Arabica	2.10	1.90	2.20	2.30	3.15
Robusta	1.80	2.30	2.70	3.20	3.50
Total	35.60	30.80	34.10	35.10	51.60
Arabica	30.60	25.80	26.60	24.40	39.60
Robusta	5.00	5.00	7.50	10.70	12.00
Source: ATO Sao Paulo					

In June 2002, the Brazilian Government (GOB), through the Ministry of Agriculture, Livestock and Supply (MAPA), National Supply Company (CONAB), released the second official Brazilian coffee production forecast for MY 2002/03. According to CONAB, coffee production is estimated at 44.69 million bags, a 59 percent increase from previous crop (28.137 million bags).

No official forecast has yet been announced for the MY 2003/04 crop. CONAB is currently conducting a field survey to update the June estimate and to prepare the first official forecast for the MY 2003/04. According to market sources, the first and good blossoming the occurred in October in the arabica producing regions was damaged by the negative impact of dry weather that prevailed during October through mid-November, except in the state of Parana. Flower abortion has been observed in major producing regions. Coffee producers also reduced crop management in the past couple of years as a consequence of lower received prices. The expected off-season of the biennial cycle of the coffee trees should be the third depressing factor affecting the size of the 03/04 coffee crop. The coffee sector is now expecting the second blossoming to better evaluate the effects of the weather in the upcoming crop.

The robusta producing regions of Espirito Santo and Rondonia have benefitted from the good rainfall that occurred in August and September. Two to three good uniform blossomings occurred during the August-October period and steady solid prices are encouraging better crop management.

Crop Area and Tree Population

ATO/Sao Paulo has updated crop area and tree inventory figures for MY 2001/02 and 2002/03, as follows: area harvested is estimated at 2.12 and 2.36 million hectares, and bearing trees are projected at approximately 4.47 and 5.27 billion trees for MY 2001/02 and MY 2002/03, respectively. Planted area and tree population are based on post surveys and data obtained from different sources (CONAB, the Brazilian Institute for Geography and Statistics - IBGE, state secretariats of agriculture, coffee cooperatives, coffee growers associations, trading companies, etc).

Coffee Prices in the Spot Market

The table below shows the Coffee Index price series released by the University of São Paulo’s College of Agriculture "Luiz de Queiroz" (ESALQ). The series tracks coffee prices in the domestic spot market since September 1996. The sharp turn of the coffee price downward trend in September 2002 resulted mainly from the dry and hot weather in Brazilian coffee producing regions and speculations about the next crop. The coffee marketing program set by the GOB also might have contributed somewhat to stop the price reduction.

Coffee Prices in the Domestic Market (Real, 60kg/bag).

	1996	1997	1998	1999	2000	2001	2002
January	--	159.76	242.64	167.85	223.56	127.51	110.01
February	--	194.62	238.70	188.63	197.39	127.05	110.84
March	--	218.45	208.34	188.67	194.20	125.17	116.41
April	--	224.07	189.49	171.57	180.33	117.03	117.76
May	--	252.32	162.76	188.21	179.31	130.24	107.54
June	--	242.57	139.77	187.30	157.37	125.23	106.37
July	--	197.99	130.15	161.17	150.01	116.99	104.70
August	--	209.86	135.83	160.90	137.83	113.90	109.21
September	116.82	220.40	123.76	149.86	137.34	111.97	136.04
October	116.71	202.67	122.50	172.97	143.78	104.39	167.72
Nov 1/	119.23	201.44	141.37	219.83	141.65	111.09	179.62

December	126.12	229.12	142.08	242.42	128.19	105.02	--
Source: USP/ESALQ/CEPEA 1/ November 2002 prices refer to Nov 1-14.							

Producer's Financing

On August 07, 2002 the GOB created the Coffee Option Contract Program for coffee, in order to regulate the domestic coffee supply. According to the program, the GOB set option contracts and coffee producers and coffee cooperatives are eligible to buy the option to sell their products to the Brazilian Government and guarantee fair prices for their crops. Producers pay a premium when acquiring the contracts through an auction system and are assured to have their products marketed at reasonable prices (exercise price always above the minimum support price) by the time the contract expires. The exercise prices set for arabica coffee are R$ 130,00 and R$ 135,00 for December 2002 and March 2003, respectively, whereas exercise prices for robusta are set at R$ 77,00 and R$ 80,00 for December 2002 and March 2003, respectively. The GOB is committed to the purchasing of up to 6 million coffee bags (3 million bags in December and 2 million bags in March 2003). It is not mandatory that producers sell their products to the GOB, but they have the option to do so, if market prices are not attractive.

As reported by DECAF, approximately 23,200 contracts (100 coffee bags per contract) were negotiated in August and September, representing approximately 38 percent of total contracts offered to producers. Producers lost interest in the contracts once coffee domestic market prices reacted positively and the exercise price offered by the contract was no longer attractive.

Consumption

Post has revised upward the total Brazilian domestic coffee consumption for MY 2001/02 and MY 2002/03 to 13.6 and 14.2 million bags, respectively, according to updated information and projections provided by the Brazilian Coffee Industry Association (ABIC). Soluble coffee consumption should account for 600,000 bags, as opposed to its historical 500,000 bags per year contribution to total domestic consumption. The forecast takes into account population growth rate and the domestic campaigns to promote coffee consumption in Brazil. According to post contacts, the Brazilian industry has reduced the use of robusta in domestic blends due to favorable prices of arabica coffee as opposed to the aforementioned variety. Unofficial estimates place the current use of robusta at 25 percent of the total blend, whereas historically, robusta contributed 40 percent of the total blend. The table below shows Brazilian overall and per capita coffee consumption since the mid 1980's, as well as projections for 2002 and 2003.

Domestic Coffee Consumption (Million 60 kg bags, Kg/year).		
Year	Total	Per capita
1985	6.4	2.83
1990	8.2	3.39
1991	8.5	3.47
1992	8.9	3.58
1993	9.1	3.62
1994	9.3	3.65
1995	10.1	3.88
1996	11.0	4.18
1997	11.5	4.31
1998	12.2	4.52
1999	12.7	4.65
2000	13.2	4.78
2001	13.6	4.87
2002 1/	14.2	5.02
2003 1/	15.0	5.25
Source: Brazilian Coffee Industry Association (ABIC); 1/Projection		

Trade

Exports

ATO/Sao Paulo has slightly adjusted the Brazilian coffee export estimates for MY 2001/02 and 2002/03 to 24.795 and 28.58 million 60-bags, green equivalent, respectively, based on updated information from trade sources. The higher availability of the product compared to previous crops and the steady devaluation of the local currency, the Real, should contribute to the increased competitiveness of Brazilian coffee in the international market, thus increasing export figures for MY 2002/03. Soluble coffee exports should account for 2.5 million bags, green equivalent.

According to official data provided by the Brazilian Secretariat of Foreign Trade (SECEX), total green exports (NCM0901.11.10) for MY 2001/02 were 1.29 million tons, up 255,000 tons from MY 2000/01. The Brazilian Green Coffee Exporters Council (CECAFE) reports arabica exports at 19.66 million bags and robusta exports at 2.58 million bags for MY 2001/02. Roasted coffee (NCM 0901.21.00) exports for MY 2001/02 accounted for 5,875.1 metric tons, up 352 percent from previous MY. Green coffee exports by country of destination for MY 2000/01, 2001/02 and 2002/03 (July-September), as reported by SECEX, follow.

Brazilian Coffee Exports by Country of Destination (NCM 0901.11.10, metric tons, US$ 1,000)				
Country	MY 2000/01		MY 2001/02	
	Quantity	Value	Quantity	Value
Germany	188,466	251,935	268,412	228,803
United States	106,643	136,092	199,001	145,867
Italy	111,988	154,588	118,135	108,910
Japan	89,201	127,155	89,198	85,277
Belgium	53,583	71,115	64,201	54,593
France	42,109	55,564	57,206	49,572
Spain	37,610	46,648	50,390	39,304
Slovenia	60,399	71,377	47,278	33,700
Greece	36,840	42,886	35,038	25,046
Sweden	31,692	41,612	34,179	29,859
Netherlands	27,306	34,713	33,230	27,173
Others	251,532	308,252	296,196	224,329
Total	1,037,371	1,341,935	1,292,466	1,052,434
Source: Brazilian Secretariat of Foreign Trade (SECEX).				

Brazilian Green Coffee Exports by Country of Destination (NCM 0901.11.10, metric tons, US$ 1,000).				
Country	MY 2001/02 1/		MY 2002/03 1/	
	Quantity	Value	Quantity	Value
United States	55,390	47,029	110,182	70,582
Germany	72,240	66,889	103,370	81,968
Italy	33,944	34,609	35,820	30,239
Japan	24,002	24,396	29,346	26,210
Belgium	14,756	13,704	18,178	12,501
Spain	13,497	11,224	25,032	16,404
France	16,282	15,071	17,099	12,670
Slovenia	12,583	9,779	22,123	13,065
Argentina	6,727	6,148	7,452	4,917
Sweden	9,274	8,439	11,534	9,707
Greece	9,103	6,733	15,024	9,249
Others	90,262	73,692	109,420	75,456
Total	358,060	317,713	504,580	362,967

Source: Brazilian Secretariat of Foreign Trade (SECEX).
1/ July-September

The tables below show monthly coffee export data (quantity and value) for MY 2001/02 and MY 2002/03 (July-September), according to CECAFE and the Brazilian Soluble Coffee Industry Association (ABICS). According to CECAFE, preliminary export numbers for October 2002 are 3.12 million coffee bags (2.38 million bags of arabica, 541,000 bags of robusta and 200,000 bags of soluble coffee, green equivalent). CECAFE also reports that preliminary figure for November indicates cumulative green bean exports at 986,447 bags.

Brazilian Monthly Coffee Exports for MY 2001/02 (60 kg bag, green equivalent).

Month	Robusta	Arabica	Roasted	Total Green	Soluble	Total
Jul-01	110,678	1,532,605	336	1,643,619	201,305	1,844,924
Aug-01	125,405	2,044,008	5,808	2,175,221	196,252	2,371,473
Sep-01	203,575	1,979,709	8,177	2,191,461	239,590	2,431,051
Oct-01	185,163	1,897,390	8,322	2,090,875	216,015	2,306,890
Nov-01	226,834	2,178,957	8,608	2,414,399	208,057	2,622,456
Dec-01	161,000	1,662,437	8,547	1,831,984	227,453	2,059,437
Jan-02	108,228	1,320,192	5,646	1,434,066	163,620	1,597,686
Feb-02	148,287	1,431,324	10,438	1,590,049	180,829	1,770,878
Mar-02	180,588	1,507,521	3,351	1,691,460	240,660	1,932,120
Apr-02	266,993	1,510,193	5,540	1,782,726	176,692	1,959,418
May-02	377,695	1,301,784	9,708	1,689,187	207,982	1,897,169
Jun-02	487,520	1,294,408	2,186	1,784,114	216,504	2,000,618
Cumulative	2,581,966	19,660,528	76,667	22,319,161	2,474,960	24,794,121

Source: CECAFE and ABICS.

Brazilian Monthly Coffee Exports for MY 2001/02 (US$ 1,000).

Month	Robusta	Arabica	Roasted	Total Green	Soluble	Total
Jul-01	3,411	91,731	28	95,170	15,864	111,034
Aug-01	3,440	112,043	278	115,761	15,639	131,400
Sep-01	5,397	106,285	300	111,981	17,761	129,742
Oct-01	4,496	97,322	308	102,126	16,361	118,487
Nov-01	6,329	107,941	449	114,719	14,611	129,330
Dec-01	4,043	84,360	501	88,905	16,753	105,658
Jan-02	2,599	63,282	204	66,085	11,511	77,595
Feb-02	3,364	67,179	390	70,933	13,616	84,549
Mar-02	4,527	73,055	154	77,736	17,027	94,763
Apr-02	7,267	77,059	198	84,524	13,161	97,684

May-02	9,542	69,894	323	79,760	14,016	93,776
Jun-02	13,751	63,429	75	77,255	15,516	92,771
Cumulative	68,166	1,013,578	3,209	1,084,953	181,836	1,266,790
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2002/03 (60 kg bag, green equivalent).						
Month	Robusta	Arabica	Roasted	Total Green	Soluble	Total
Jul-02	425,728	1,621,960	10,774	2,058,462	178,921	2,237,383
Aug-02	508,599	2,073,258	n/a	2,581,857	222,507	2,804,364
Sep-02	384,494	2,166,880	n/a	2,551,374	217,380	2,768,754
Cumulative	1,318,821	5,862,098	19,794	7,200,713	618,808	7,819,521
Source: CECAFE and ABICS.						

Imports

Brazilian coffee imports for MY 2001/02 were approximately 120.49 metric tons (2,008 bags) for roasted coffee (NCM 0901.21.00), down 6.2 metric tons from MY 2000/01, as reported by SECEX. No significant imports are expected for MY 2002/03.

According to the GOB resolution announced on December 26, 2001, the Common External Tariff (TEC) applied to imported coffee other than MERCOSUL countries is 11.5 percent for both green coffee (NCMs 0901.11 and 0901.12) and roasted coffee (NCMs 901.21 and 0901.22). MERCOSUL represents a trade pact among Brazil, Argentina, Uruguay and Paraguay. Chile and Bolivia, as associate members of the MERCOSUL, enjoy preferential tariff treatment on all agricultural products. The Brazilian government requests a Pest and Risk Assessment (PRA) to admit imported green coffee in Brazil. Although no quotas apply to coffee imports (green or roasted), any import operation is subject to the issuance of an Import License by the Brazilian Government.

The GOB resolution of September 20, 2002 sets regulations with regard to food labeling. According to the resolution, the country of origin of any imported good is considered the country where the product is manufactured. Thus, if green coffee from any producing country is brought to and roasted in the U.S., it will be considered an American product regardless of the origin of the raw material.

Stocks

ATO/SP forecasts ending stocks for MY 2002/03 at 16.155 million bags (60 kg, green equivalent), up 8.82 million bags from MY 2001/02, a result of higher expected availability of the product. The results of monthly coffee auctions conducted by the MAPA/Department of Coffee (DECAF) are shown below. Approximately 192,500 bags were sold through the coffee auctions during MY 2001/02. The last 2002 auction is scheduled for December 11 and the Brazilian government should continue its 20,000 bags of coffee offered per auction policy. As of September 30, the stock levels held by the GOB were estimated at approximately 5.4 million bags.

Auctions of the Brazilian Government Coffee Stocks, 2001/2002 (60 kg bags, US$/bag).				
Date	Quantity	Quantity	Auction Price	
	Offered	Sold	R$	US$
11-Jul	20,000	19,715	94.36	37.30
15-Aug	20,000	17,267	90.89	36.35
12-Sep	20,000	18,214	75.00	27.80
17-Oct	20,000	13,949	68.14	25.04
11-Nov	20,000	13,070	77.23	30.28
12-Dec	20,000	15,531	76.58	32.52
16-Jan	20,000	17,724	64.27	26.93
20-Feb	20,000	19,184	70.32	28.96
20-Mar	20,000	13,014	76.18	32.58
17-Apr	20,000	18,620	73.58	31.76
15-May	20,000	14,494	68.45	27.25
12-Jun	20,000	11,656	67.82	24.67
Cumulative	240,000	192,438		
Source: Ministry of Agriculture & Supply (MAPA)/Coffee Department (DECAF).				

Auctions of the Brazilian Government Coffee Stocks, 2002/2003 (60 kg bags, US$/bag).				
Date	Quantity	Quantity	Auction Price	
	Offered	Sold	R$	US$
10-Jul	20,000	18,161	64.64	22.65
14-Aug	20,000	9,997	71.62	22.41
11-Sep	20,000	16,105	85.91	27.44
09-Oct	20,000	19,260	93.93	24.38
13-Nov	20,000	16,005	113.62	31.56
Cumulative	100,000	79,528		
Source: Ministry of Agriculture Livestock & Supply (MAPA)/Coffee Department (DECAF).				

The monthly coffee distribution linked to Brazilian cooperatives for MY 2001/02 and 2002/03 (July-October), as reported by the National Coffee Council (CNC) follows. Stocks held by cooperatives on October 31, 2002, were 8.92 million bags, up 3.9 million bags, from October 31, 2001.

Monthly Coffee Distribution of Brazilian Cooperatives (60-kg bags, MY 2001/02 - Jul/Jun).				
Month	Beginning Stocks	Deliveries	Sales	Ending Stocks
July	3,917,574	1,413,132	672,002	4,658,704
August	4,658,704	1,876,494	1,199,298	5,335,900
September	5,335,900	1,168,307	1,177,931	5,326,276
October	5,326,276	619,225	927,860	5,017,641
November	5,017,641	340,723	934,162	4,424,202
December	4,424,202	202,641	519,290	4,107,553
January	4,107,553	132,099	665,576	3,574,076
February	3,574,076	126,511	567,796	3,132,791
March	3,132,791	166,578	719,754	2,579,615
April	2,579,615	128,628	592,995	2,115,248
May	2,115,248	410,669	451,939	2,073,978
June	2,073,978	1,663,245	545,793	3,191,430
Cumulative		8,248,252	8,974,396	
Source: National Coffee Council (CNC).				

Monthly Coffee Distribution of Brazilian Cooperatives (60-kg bags, MY 2002/03 - Jul/Jun).				
Month	Beginning Stocks	Deliveries	Sales	Ending Stocks
July	3,191,430	3,083,880	960,846	5,314,464
August	5,314,464	3,680,718	985,614	8,009,568
September	8,009,568	2,361,823	1,264,322	9,107,069
October	9,107,069	1,340,012	1,523,038	8,924,043
Cumulative		10,466,433	4,733,820	
Source: National Coffee Council (CNC).				

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)					
Month	1998	1999	2000	2001	2002
January	1.12	1.92	1.80	1.97	2.42
February	1.13	2.03	1.77	2.04	2.35
March	1.14	1.77	1.75	2.16	2.32
April	1.14	1.66	1.81	2.22	2.36
May	1.15	1.72	1.82	2.36	2.52
June	1.16	1.77	1.80	2.30	2.84
July	1.16	1.79	1.78	2.43	3.43
August	1.18	1.81	1.82	2.55	3.02
September	1.19	1.92	1.84	2.67	3.89
October	1.19	1.95	1.91	2.71	3.65
November	1.20	1.92	1.98	2.53	3.51
December	1.21	1.79	1.96	2.32	--
Source: Gazeta Mercantil 1/ November 2002 refers to November 20.					

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